

**New Hampshire Department of Environmental Services (DES)  
Response to Public Service Company of New Hampshire (PSNH)  
Regarding Request for Bonus Sulfur Dioxide (SO<sub>2</sub>) Allowances**

This response to PSNH's Request for Bonus SO<sub>2</sub> Allowances dated April 14, 2008 documents DES's determination regarding the amount of SO<sub>2</sub> allowances transferred from the state to PSNH under the federal Acid Rain Program for future compliance with statute RSA 125-O, the Multiple Pollutant Reduction Program also known as the Clean Power Act, and regulation Env-A 2900, the Multiple Pollutant Annual Budget Trading and Banking Program.

Bonus SO<sub>2</sub> Allowances for Local Reductions

PSNH requested that DES allocate a total of 8,431 Bonus SO<sub>2</sub> Allowances for local reductions of 1,156 tons at Schiller units #4 & #6 and 7,275 tons at Newington in accordance with the provisions of Env-A 2906.07 (b & c). However, statute RSA 125-O:4, IV(a)(2) reads as follows:

*Additionally, in order to promote local reductions, for each year after the compliance date that combined SO<sub>2</sub> emissions from affected sources are below the annual average emissions for the previous 3 years, affected sources shall receive additional SO<sub>2</sub> allowances in a combined amount equal to the difference between the current year emissions and the average annual emissions for the previous 3 years.*

Therefore, the calculations shall be performed on a "combined total" basis, rather than facility by facility. Furthermore, the local reductions achieved by the repowering of Schiller unit #5 should be counted. Thus, DES calculated the amount of SO<sub>2</sub> allowances transferred from the state to PSNH under the federal Acid Rain Program for local reductions as follows:

Unit	2004	2005	2006	3-year ave.	2007	Reductions (tons)
MK1	9,154	10,819	9,998		11,420	
MK2	20,582	22,948	22,728		25,064	
SR4	2,416	2,681	2,249		1,877	
SR5	2,593	2,566	900		0	
SR6	2,443	2,528	2,389		1,870	
NT1	16,783	9,833	2,016		2,269	
Total	53,971	51,375	40,280	48,542	42,500	6,042

### Bonus SO<sub>2</sub> Allowances for Reductions within the Ozone Transport Region (OTR)

PSNH requested that DES allocate a total of 8,339 Bonus SO<sub>2</sub> Allowances for PSNH's use of 33,353 allowances that were originally allocated to units within the OTR in accordance with the provisions of Env-A 2906.07 (d). DES will transfer the requested amount of 8,339 allowances.

### Summary

DES's determination of the total amount of SO<sub>2</sub> allowances transferred from the state to PSNH under the federal Acid Rain Program for future compliance with NH Clean Power Act is 14,381 allowances, rather than the requested amount of 16,770 allowances.